

Message Text

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12

ORIGIN EB-11

INFO OCT-01 NEA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 SAM-01 AID-20 COME-00 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08

CEA-02 MC-02 /164 R

DRAFTED BY EB/IFD/OMA:TNMINNIES/OIA:CNELLIS/TREAS:MEBLAKE

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NEA/IRN: MR. MORTON

TREASURY: MR. BENNETT

TREASURY: MR. HENNESSY

DOD: MR. ALNE

EB/IFD/OIA MR. KRIZAY

----- 129695

R 112205Z FEB 74

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

INFO USCINCEUR

C O N F I D E N T I A L STATE 027694

E.O. 11652: GDS

TAGS: EFIN, MASS,IR, US

SUBJ: GOI INTEREST IN INVESTMENT IN U.S. FIRMS

REF: TEHRAN 149 AND 744

1. EMBASSY WAS CORRECT IN TELLING TOUFANIAN THAT THE U.S. WELCOMES IRANIAN PLANS TO INVEST HERE. LAW AND PRACTICE OF BOTH THE STATES AND THE FEDERAL GOVERNMENT NEED, HOWEVER, TO BE TAKEN INTO ACCOUNT. RESTRICTIONS DO EXIST FOR CERTAIN CATEGORIES OF ENTERPRISES WHICH ARE CONSIDERED

SENSITIVE: (I) BECAUSE OF A CLOSE RELATIONSHIP WITH
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NATIONAL DEFENSE, (II) BECAUSE THEY INVOLVE THE EXPLOITA-

TION OF CERTAIN NATURAL RESOURCES OR (III) BECAUSE THEY

PLAY PECULIARLY FIDUCIARY ROLE. MORE DETAILED INFORMATION ON THE SPECIFIC INDUSTRIES CONCERNED AND THE TYPES OF RESTRICTIONS BEING AIR POUCHED.

2. GOI MAY WISH TO RETAIN AMERICAN INVESTMENT ADVISORS, WITH WHOM SPECIFIC INVESTMENTS COULD BE EXPLORED. WE BELIEVE GOI HAS AMPLE CONTACTS WHO COULD READILY ASSIST THEM IN THIS AREA, BUT USG WOULD BE PREPARED TO ASSIST GOI IF THIS NECESSARY OR DESIRABLE. SUGGEST GOI MIGHT ALSO WANT TO CONSIDER POSSIBILITY OF JOINT VENTURES AND TURNKEY-PURCHASE ARRANGEMENTS WITH U.S. FIRMS. ON OTHER HAND

PURCHASE AND TRANSFER TO IRAN OF OPERATING U.S. FIRMS OR SUBDIVISIONS DOES NOT SEEM FEASIBLE AND, IN ANY EVENT, WOULD RAISE PRACTICAL COMMERCIAL DIFFICULTIES IN U.S.

3. THERE IS CONSIDERABLE OPPOSITION IN THE U.S. TO THE IDEA OF ANY SIGNIFICANT FOREIGN OWNERSHIP OF U.S. ARMS MANUFACTURES. SENATOR MOSS RECENTLY INTRODUCED A BILL TO PREVENT SUCH OWNERSHIP. OPPOSITION WOULD NOT, HOWEVER, RULE OUT IRANIAN JOINT VENTURES FOR RESEARCH AND MANUFACTURE OF DEFENSE AND RELATED EQUIPMENT AS LONG AS NO PARTICULARLY SENSITIVE FIELDS WERE INVOLVED. FIELDS OF MUTUAL INTEREST WOULD HAVE TO BE DEFINED THROUGH CONSULTATION. HIGH TECHNOLOGY AREAS OF INDUSTRY ARE PARTICULARLY SENSITIVE AND MAY NOT BE SUITED FOR IRAN.

4. IRANIAN INDIRECT INVESTMENT IN U.S. SECURITIES AND FINANCIAL MARKETS IS EFFECTIVE WAY TO PLACE SURPLUS HOLDINGS ON SHORT-TERM BASIS. U.S. MARKETS ARE OPEN TO INVESTMENT AND U.S. WELCOMES NEW PORTFOLIO INVESTMENT. SHORT-TERM INVESTMENT, SUCH AS WITH BANKS, COULD BE USEFUL FROM GOI POINT OF VIEW AS MEANS OF HOLDING FUNDS UNTIL APPROPRIATE CONTRACTUAL ARRANGEMENTS ON DIRECT-INVESTMENT PROJECTS COMPLETED. U.S. MUTUAL FUNDS PROVIDE ONE CONVENIENT MECHANISM FOR INVESTMENT IN US SECURITIES.

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5. FOREGOING INFORMATION ALSO PASSED TO HUSHANG DEHESH DURING INFORMAL MEETINGS HERE WITH USG OFFICIALS. DEHESH HAS DISCUSSED INVESTMENT POSSIBILITIES WITH DOD OFFICIALS AND HAS MET WITH OFFICIALS IN STATE (NEA/IRN AND EB/ INVESTMENT AFFAIRS) AND TREASURY (VOLCKER AND BENNETT), AS WELL AS PRIVATE SECTOR. (FYI: DEHESH INTRODUCED AND CONDUCTED HIMSELF AS PRIVATE CITIZEN DURING U.S. VISIT. HE SAID GEN TOUFANIAN HAD WISHED HIM TO EXPLORE INVEST-

MENT QUESTION AND REPORT RECOMMENDATIONS TO TOUFANIAN ON
RETURN TO IRAN. END FYI)

6. DURING CALL AT TREASURY, DEHESH REQUESTED INFORMATION
ON U.S. TAX LAWS AND REGULATIONS APPLICABLE TO FOREIGN
GOVERNMENT INVESTMENT IN U.S. HE WAS INFORMED THAT
NORMALLY INVESTMENT INCOME OF A FOREIGN GOVERNMENT WHICH
IS DERIVED FROM U.S. SOURCES IS EXEMPT FROM TAXATION IN
U.S. DEFINITION OF A FOREIGN GOVERNMENT WOULD GENERALLY
INCLUDE A SEPARATE ENTITY WHOLLY-OWNED BY FOREIGN
GOVERNMENT IF NO PART OF ENTITY'S EARNINGS INURED TO
BENEFIT OF A PRIVATE SHAREHOLDER OR INDIVIDUAL AND IF
PURPOSES, FUNCTIONS AND ACTIVITIES OF ENTITY WERE NOT OF
KIND CUSTOMARILY CARRIED ON BY PRIVATE ENTERPRISE FOR
PROFIT IN US. IN ANY EVENT U.S. TAX LAWS SHOULD NOT BE

REGARDED AS OBSTACLE TO DEVELOPMENT OF PLANS FOR IRANIAN
DIRECT INVESTMENT IN U.S. NEGOTIATIONS ON A BILATERAL TAX
TREATY WOULD BE A GOOD WAY TO CLARIFY EXEMPTIONS.

7. BEGIN FYI: NOTWITHSTANDING THE TAX EXEMPTION OF A
FOREIGN GOVERNMENT'S INVESTMENT INCOME, U.S. TAX LAWS DO
NOT EXEMPT INCOME OF CORPORATIONS ENGAGED IN BUSINESS IN
U.S. EVEN IF OWNED IN WHOLE OR PART BY A FOREIGN GOVERN-
MENT. IN LIGHT OF COMPLEXITY OF TAX ISSUE, EMBASSY SHOULD
REFER QUESTIONS ON TAXATION TO WASHINGTON OR SUGGEST
THAT GOI SEEK ADVICE FROM COMPETENT TAX ATTORNEY. END
FYI.

8. RE PARA 5, TEHRAN 149, USG MAINTAINS NO BARRIERS
AGAINST EXPORT TO U.S. FROM PLANTS PURCHASED FROM, OR
ORIGINALLY LOCATED IN U.S. HOWEVER, AS EMBASSY SHOULD
BE AWARE, ISSUE OF "RUNAWAY PLANTS" IS PARTICULARLY
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SENSITIVE IN TERMS OF U.S. DIRECT FOREIGN INVESTMENT AND
IN DEVELOPMENT OF U.S. TRADE POLICY INITIATIVES. USG
OPPOSES OFFSET ARRANGEMENTS WHEREUNDER FOREIGN BUYER
PURCHASES A GOOD OR SERVICE FROM U.S. WITH PRIOR COMMIT-
MENT FROM U.S. SELLER TO PURCHASE GOODS OR SERVICES BACK
FROM FOREIGN PARTY. IF TOUFANIAN OR GOI RAISE POSSI-
BILITY OF PURCHASES BY U.S. AS PART OF DEAL, EMBASSY
SHOULD STATE OUR OPPOSITION TO OFFSET PURCHASES AND
OUR PREFERENCE FOR PURCHASES AND SALES UNDER FREE MARKET
ARRANGEMENTS. KISSINGER

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